

Commonwealth of Kentucky
Before the Public Service Commission

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)
WATER DISTRICT FOR (A) AN)
ADJUSTMENT OF RATES; (B) A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY)
FOR IMPROVEMENTS TO WATER FACILITIES)
IF NECESSARY AND (C) ISSUANCE OF BONDS)

Case No. 2003-00224

SUPPLEMENTAL REQUEST FOR INFORMATION
BY THE ATTORNEY GENERAL
TO THE NORTHERN KENTUCKY WATER DISTRICT

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits this Supplemental Request for Information to the Northern Kentucky Water District.

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the company witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

A.B. CHANDLER III
ATTORNEY GENERAL

David Edward Spenard

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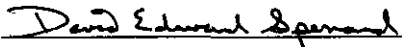
Notice of Filing

Counsel gives notice of the filing of the original and ten photocopies of the Supplemental Request for Information by hand delivery to Thomas M. Dorman, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601. 3 December 2003 is the date of filing.

David Edward Spenard
Assistant Attorney General

Certificate of Service

Counsel certifies service of a true and correct photocopy of the Supplemental Request for Information. Service was through mailing the document, first class postage prepaid, to the other parties of record on 3 December 2003. The following are the other parties of record: Ronald J. Barrow, Northern Kentucky Water District, P. O. Box 220, Cold Spring, Kentucky 41076; John N. Hughes, 124 West Todd Street, Frankfort, Kentucky 40601; and Charles H. Pangburn, III, Hemmer, Spoor, Pangburn, DeFrank & Kasson PLLC, 250 Grandview Drive, Suite 200, Fort Mitchell, Kentucky 41017.


Assistant Attorney General

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AG-2-1) Re. response to AG-1-3: Mr. Ross' Exhibit A shows that the total requested bond issuance of \$10,455,000 covers the projected construction of \$9,438,000, issuance costs, underwriters discount, debt service reserve and contingency, i.e., the \$10,455,000 already covers all of the items mentioned in the response to AG-1-3 that presumably make up the difference between the \$10,455,000 and \$13,500,000. In addition, no where in the filing schedules do we see a requested bond issuance of \$13.5 million. Also, the debt service requirement shown on Schedule 3 of Exhibit N includes the interest and principal payments associated with a \$10,455,000 2003 bond issue rather than a \$13,500,000 2003 bond issue. Based on the foregoing information, the AG renews its request to (1) reconcile the requested bond issuance of \$13.5 million described on page 2 of Mr. Lovan's with the request for parity bonds in this case of \$10.455 million and (2) explain where in the filing schedules details of this \$13.5 million bond issue can be found.

AG-2-2) Re. response to AG-1-7: Explain in detail all of the reasons and/or calculations in support of the assumption that only 40% of the new connections will actually connect during the test year.

AG-2-3) Re. response to AG-1-7: Using the Fixed Charges and Commodity Charges information shown on Exhibit L, show all calculations and assumptions underlying the assume per customer revenue numbers of \$750 and \$1,100.

AG-2-4) Re. response to AG-1-7: What is the basis for the Company's assumption that 90% of the new connections will be residential and 10% Other connections.

AG-2-5) Re. response to AG-1-12: The revenue annualization adjustment of \$7,235,654 for the rate increase that became effective in June 2003 is \$512,539 lower than the actual annual revenue increase of \$7,748,193 received in the prior case. The response to AG-1-12 attributes this to differences in billing determinants ("volumes") in the current case Test year ending 5/31/03 and the PSC revenue increase calculation in the prior case based on the year 2002. In this regard, provide the following additional information:

- A. Provide the billing determinants ("volumes") used to determine the rate increase of \$77,748,193 in the prior case and compare these billing determinants with the corresponding billing determinants for the test year used in the current case.

- B. The difference in revenues of \$512,539 indicates that the billing determinants for the test year used in the current case are lower than the billing determinants used in the calculation of the \$7,748,193 rate increase in the prior case. Please explain the reasons for this.

AG-2-6) Re. response to AG-1-16(a): The AG invites Mr. Howe to add across all the Test Year revenues shown in Exhibit N, Schedule 5. Mr. Howe will find that such revenues total \$1,279,553, or \$21,535 less than the \$1,301,080 reflected in Schedule 5. It would appear that the District double counted the Hydrant revenues of \$21,535. If Mr. Howe still disagrees with this, please explain your disagreement in detail.

Similarly, in revised Schedule 5R, the total revenues for the test year added across amount to \$1,575,675, or \$21,535 lower than the total revenues of \$1,597,210 reflected. Please explain this discrepancy and confirm the correct Test Year revenue number.

AG-2-7) Exhibit N, Schedule 3R shows total debt service numbers from existing bonds that are different from the corresponding total debt service numbers from existing bonds presented in letter dated 11/21/03 from Mr. Hughes to Mr. Dorman, as restated below:

	<u>Schedule 3R</u>	<u>11/21/03 letter</u>
2003	\$ 8,371,108	\$ 8,371,108
2004	\$10,363,203	\$10,347,586
2005	\$10,192,228	\$10,180,744
2006	\$10,186,377	\$10,177,099
2007	\$10,198,767	\$10,189,241

In this regard, please provide the following information:

- A. Confirm the above information and, if you disagree, explain your disagreement.
- B. Indicate which of the numbers in the above table should be used for ratemaking purposes in this case, the Schedule 3R numbers or the more updated 11/21/03 letter data.
- C. Confirm that if the more updated numbers from the 11/21/03 letter are to be used, this would reduce the average debt service number of \$10,553,247 on Schedule 3R by \$9,181 and would also reduce the debt service coverage by \$1,836.

AG-2-8) Please provide an updated copy of the Excel file (PSCCopy_RateCase03_0831Filing_O_ WithNewportRevCalc) that reflects the revisions shown in Appendix C revised.

AG-2-9) AG #45 asked for the methodology that was “used to develop the commodity charges” in each consumption block. The response refers to Appendix C of AWWA Manual M1. Appendix C relates to establishing the block structure (that is, the amount of consumption included in each block), but not the rates to be charged for each block. Please describe the methodology that was used to determine the specific rates for each consumption block.

AG-2-10) The response to AG #53 refers to AWWA Manual M1 as being the source for equivalent meter and service ratios. The ratios shown in the Manual are based on hypothetical costs for a hypothetical utility. Has NKWD conducted any analysis to determine that it is reasonable to use those cost ratios in 2003 for its system? If so, please provide a copy of such analysis.